

Pacific Merger Bids Blocked

Washington—Plans of West Coast and Pacific Airlines to merge hit a major legal block last week when Civil Aeronautics Board attorneys launched an investigation of West Coast's reported purchase of a 34% controlling interest in Pacific.

Meanwhile, Bonanza Air Lines was rebuffed temporarily in its own attempt to acquire Pacific, when Pacific replied last week that it could not discuss the proposal now, but would be willing to negotiate later.

Bonanza triggered the CAB investigation in a complaint charging that West Coast violated the Federal Aviation Act by not filing with CAB details of the transaction.

Specifically, Bonanza contends that West Coast ignored CAB's denial of its stock purchase application and paid two former Pacific officers more than \$2.3 million for 296,240 shares of the airline's stock. Former Pacific President John H. Connelly and Board Chairman Leland Hayward were paid \$8.24 for each share, even though Pacific's market bid price averaged only \$3, Bonanza claims.

In the event of a merger between West Coast and Pacific, the remaining Pacific stockholders will probably get less than half of the price paid to Connelly and Hayward, Bonanza contended. As evidence, Bonanza pointed out that early last month West Coast voted a stock dividend of two shares for each share held. The action had the direct result of dropping the airline's book valuation per share from a previous \$9.25 to only \$3.08. The new price places West Coast stock on a relatively equal price level with that of Pacific, and would probably require a share-for-share exchange basis in the event of a merger.

In addition to the purchase, Bonanza stated "on belief and information" that West Coast placed the stock holdings in the hands of a trustee, without notifying CAB of this action or identifying the trustee or his voting authority. Terms of the trust agreement, Bonanza contended, could determine whether Pacific should be merged into West Coast or Bonanza.

Pending completion of the investigation, Bonanza urged the Board to order West Coast to either dispose of the Pacific stock or place it in a trust agreement.